ECE Highlights

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Focus on . . .

Favourable economic outlook for 2000

3 per cent annual growth in western Europe—Output growth at a ten-year high in transition economies

UN/ECE releases its latest 1999 Economic Survey of Europe

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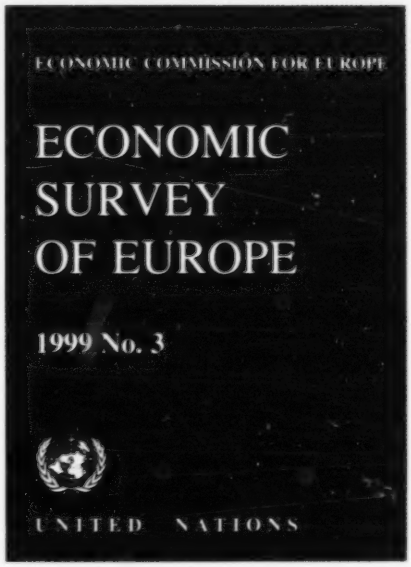
Western Europe continued growth



According to the *Survey*, after the gloomy assessment of a year ago, the outlook for the ECE economies has improved in line with the generally better prospects for the world economy as a whole. For western Europe, however, the improvement is so far reflected more strongly in order books and industrial confidence than in actual performance. In the first half of 1999 real GDP rose by only some 1.5 per cent while industrial output remained sluggish. For the year as a whole, UN/ECE now expects the increase in GDP to average 2.1 per cent in the European Union and just under 2 per cent in all of western Europe. The overall picture contains large variations in the performance of individual countries, strong growth in many of the smaller economies contrasting with the more sluggish development in Germany and Italy. The available indicators show the west European economies to be gathering strength in the second half of 1999 and this is expected to continue next year. As a result of stronger growth in the four largest economies, west European growth in 2000 is now expected to average close to 3 per cent.

Mild deceleration in the United States

Growth in North America in 1999 has continued to be stronger than expected and now seems likely to average 3.8 per cent in 1999 for the second year running. A cyclical slowdown is forecast in the United States in 2000 but the deceleration is relatively mild with real GDP growth expected to be about the same as the west European average.

Although the downside risks to this outlook may be less than a year ago they are still significant. Despite many false warnings, there is still widespread fear of an abrupt adjustment in United States equity prices leading to a rapid and prolonged slowdown in domestic demand, a development which would also test the willingness of foreigners to continue financing the burgeoning and record United States trade deficit. Such a development could lead to a more severe tightening of United States monetary policy than currently envisaged with exchange rate consequences for western Europe and the rest of the world.

A key assumption of the optimistic scenario is that slower growth in the United States will be offset by faster growth in Japan and western Europe, a development which should help to correct the United States current account deficit. Current forecasts support this outlook, but the recovery in Japan is still fragile and in western Europe it is still in its early stage and therefore still vulnerable to setbacks and uncertainties over macroeconomic policy stances. In the European Union a major concern is to avoid a premature tightening of monetary policy which would check the nascent recovery. Despite some reversal in last year's dramatic fall in commodity prices, there is no reason to expect any significant acceleration in price increases and therefore no good reason for an increase in European interest rates. At the present time the monetary policy of the ECB might be expected to be giving greater attention to its other principal objective specified in the Treaty of Amsterdam, namely, to support economic activity and employment in the Euro area.

Positive expectations for central and eastern Europe and the CIS

In the course of 1999, economic expectations and the short-term outlook for the ECE transition economies have been unusually volatile and have undergone major changes and revisions. At the start of the year, the negative impact of the Russian crisis turned out to be much stronger than expected for a number of transition economies, notably the three Baltic States, which led to weaker expectations and downward revisions of forecasts. However, towards mid-year, and especially in the second half, output performance started to improve in many transition economies under the influence of the strengthening of the economic recovery in western Europe. This has brought about a positive improvement of expectations and forecasts, at least in some of the transition economies. The Kosovo conflict was an unexpected negative shock for many transition economies, especially those in south-east Europe. Virtually all the south-east European transition economies had lowered their official forecast in the course of 1999. The forecasts for 1999 vary widely, but all of them point to a deep fall in GDP ranging from 25 to 50 per cent as compared with 1998. The hardship now being borne by the population of Yugoslavia is already considerable and is set to worsen with the onset of winter.

The short-term outlook for the CIS countries is dominated by that for the Russian economy. While much uncertainty still surrounds the outlook for the Russian economy, the short-term prospects have improved considerably since the beginning of the year partly because of the marked rise in oil prices. The improvement is reflected in a series of upward revisions to the official 1999 growth forecasts. Thus, at the beginning of the year the official forecast was for a continued fall in GDP in 1999; by mid-October this had been revised to positive growth of 0.5-1.5 per cent. If the unexpectedly strong recovery of industrial output continues through the end of the year, it would not be unrealistic to expect the growth of Russian GDP to come close to the upper bound of this range. Thanks to the recovery in Russia, the short-term outlook for most of the CIS countries has also improved in the second half of 1999. The one major exception to this general improvement is Kazakhstan where the forecast for GDP growth has been lowered to -1.5 per cent for the year as a whole, following the negative outcome in the first half of the year.

Positive expectations generally prevail in the official forecasts for the transition economies in 2000 as well. In virtually all the countries for which such forecasts are available, the authorities expect positive rates of GDP growth in 2000 and an acceleration as compared with 1999. If these expectations materialize, the growth of aggregate GDP in eastern Europe could reach some 3 per cent in 2000, that in the Baltic States might be in the range of 3.5-4 per cent, while the CIS countries could average some 2.5 per cent. These forecasts imply that GDP in the ECE transition economies as a whole would grow by some 2 per cent in 2000, an average rate of growth that has not yet been achieved during the past 10 years of economic transformation.

Can we afford to grow old? Population ageing and pension reform

Against the background of a steady stream of alarmist press headlines warning of a "demographic time bomb", of a "pensions crisis" threatening to "squeeze European budgets", and of the "frightening" implications for tax rates of maintaining tomorrow's retirees at the same standard of living of today's pensioners, UN/ECE brought together some of the top experts on pension reform to discuss in a calmer and less excitable manner the implications of ageing populations.

The Seminar attracted a large audience of high-level experts, many of them directly involved in the reform of pensions in their own countries. The lead speakers were Lord Eatwell, President of Queens College, Cambridge and member of the United Kingdom House of Lords; Professor Lawrence Thompson, Senior Fellow at the Urban Institute, Washington, D.C., and a former Principal Deputy Commissioner of the United States Social Security Administration; and Professor Maria Agusztinovics of the Hungarian

Academy of Sciences who is one of the best-known experts on the subject in central Europe. In addition, Jean-Michel Charpin, Commissaire Général au Plan and author of the recent report on reforming the French pension system, chaired a panel of experts who discussed the prospects for pension reform in the wake of the financial crises of 1997 and 1998.

The problem of increasing life expectancy

The basic purpose of any pension system, which is sometimes forgotten in many of the heated debates over reform, is to provide for security in old age and to avoid the descent of low income earners into poverty with which cessation of employment was so frequently associated in the past. By whatever method it is funded, the task of any pension scheme is to transfer goods and services from the current output (GDP) produced by those in work to those in retirement. This can be done by governments taxing today's workers and transferring the proceeds to those in retirement (the "Pay-As-You-Go" method); or by pensioners themselves accumulating financial assets (claims) during their working lives which can be used to maintain their expenditure on goods and services during their old age; or by some combination of the two.

What has created the current problem for pension systems (most of which are Pay-As-You-Go) is that the number of pensioners has been increasing in relation to the numbers of workers available to produce the goods and services demanded by the entire population. This increase in the so-called "dependency ratio" in western Europe is largely due to the ageing of the population—more people are living longer, and pensions must provide for much longer periods of retirement. At present there are about 4-5 people of working age for every person over 65 years of age in western Europe—in 40 years time the number is projected to fall to just over 2.

Increasing life expectancy is not the only factor behind the rise in the dependency ratio. Falling birth rates, and actual retirement at ages well below the statutory age are also significant.

The fallacy of the current debate

Much of the public debate over pension reform has focused not on this larger issue of inter-generational transfers but on how to reduce the "burden" of public pensions (Pay-As-You-Go) on society by switching to private, fully-funded schemes. Eatwell argued, convincingly for most of the participants, that such proposals were based on a fallacy: there is in fact no difference at all between the macroeconomic impact of PAYG and funded pension schemes. For a given level of output and a given level of pensions, those in work must reduce their consumption, either through higher taxes or increased savings, if pensioners are to maintain their real expenditure on goods and services. If workers can resist higher tax rates—which is one of the factors behind present proposals for funding—they can also resist the pressure to make them save more; if they do resist, inflation will reduce the

real level of pensioners' consumption and interest rates will rise instead of taxes. Whatever system is in place, equilibrium will have to be reached between the demands of pensioners for current goods and services and the willingness of current workers to release them by acquiring financial assets. For this reason most of the speakers thought that placing the argument over "Pay-As-You-Go" versus "Fully-Funded" schemes at the centre of the pensions debate was misplaced.

A number of key points emerged from the Seminar:

(i) Both the costs of switching to fully-funded schemes and the administrative costs of running them are greatly underestimated; and the secondary or incidental benefits of fully-funded schemes (such as higher levels of savings and investment and faster rates of economic growth) are not well supported by the evidence;

(ii) More effective policies to deal with the problem of supporting a larger population of pensioners are those which improve the workings of the labour markets (through changes in the incentive structures created by current tax and benefit systems) and, more generally, which encourage higher rates of economic growth, productivity and employment; investment in education and training, especially for the young and the unemployed, is an obvious priority for all countries;

(iii) Current support for a multi-pillar approach to pensions: PAYG can be supplemented by fully-funded schemes, public and/or private, by private savings, and by increased opportunities (incentives) for those receiving a pension to continue to work on a part-time or temporary basis;

(v) Most, not all, participants thought that the increased volatility of international financial markets was a major concern for fully-funded pension schemes and that their superiority over PAYG in reducing risk has not been demonstrated.

Reform should be pragmatic, cautious and measured

On many aspects of the pension debate there is still a wide dispersion of views and experience, but these broad conclusions were supported by most of those attending the Seminar. There was general agreement on the need for a pragmatic, measured and cautious approach to reform, not only because of the complexities involved in any change but also because of the political and social sensitivity of any alteration, actual or perceived, in pension rights. But the positive message of this Seminar is that if sensible reforms are pursued over a wide area, and not just focused on a *single* variable such as contribution or tax rates or the retirement age, then there is no need to scare the present workforce with stories about whether they can afford to grow old. Fear is not always the best way to build popular support for reform which to be successful must be based on a broad social consensus.

Economic Survey of Europe 1999, No. 3, Sales No. E.99.II.E.4. US$ 40.

Special events

International conference on organized crime held in Geneva

A conference on the themes of "Justice, banking and financial institutions fighting criminal activities" took place on 9-10 December 1999 at the Palais des Nations in Geneva. It was organized by the Crans Montana Forum and the Monaco World Summit, and held under the auspices of the United Nations Economic Commission for Europe (UN/ECE), the Council of Europe, and the Supreme Court of France, with the cooperation of the Centre for Democracy and of the International Law Institute in Washington, D.C.

The conference focused on the financial aspects of organized crime and on how governments can and do react to organized crime, and how international institutions such as the World Bank, the International Monetary Fund (IMF) and the Council of Europe can contribute to the fight against organized crime. The methods and proceedings of organized criminal groups, such as money laundering, tax evasion, and corruption were discussed, as well as the situations in specific regions, including Africa, China and central and eastern Europe. Particular attention was paid to the situation in Russia, notably in the context of the privatization process and the necessary transparency of this process.

Messrs Vladimir Petrovsky, Director-General of the United Nations Office at Geneva, Jean-Paul Carteron, President of the Crans Montana Forum, Jean-François Burgelin, General Prosecutor at the

Supreme Court of France and Robert S. Gelbard, United States Ambassador to Indonesia, spoke at the opening session.

Participants included Viktor Gerachtchenko, President of the Central Bank of Russia; Jean Ziegler, previously Conseiller National for Switzerland; Manuel Lezertua, Head of the Economic and Organized Crime Section of the Council of Europe; Souheil El Zein, Legal Affairs Director of Interpol; and Jan-Kees Wiebenga, Vice-President of the European Parliament, and a number of other top officials.

In his final remarks, Yves Berthelot, Executive Secretary of UN/ECE, noted that the last few years have seen an increase in corruption and organized crime, especially in Europe. This increase has become a major area of concern to the international community. The debates that took place over the two days seemed to indicate that corruption and organized crime are enhanced by certain factors, including a feeble State; inadequate laws that lead to a black-market economy; gaps in legislation, or, where the legislation does exist, its lack of implementation; the transfer of information through electronic systems and the appearance of electronic money; fiscal havens, the lack of transparency of the international financial markets; and the fact that the regulatory mechanisms of the international system are not adapted to recent economic and technological developments. Another branch of organized crime, which has grown considerably over the last few years, is that of trafficking in women and children. Mr. Berthelot underlined the importance of raising awareness of organized crime, and the need for citizens and politicians to recognise it as an issue affecting the development of their country, as well as affecting each individual, whether as a consumer, taxpayer, or entrepreneur.

Five years after Beijing—Women in Europe

From 19 to 21 January 2000, UN/ECE is organizing, at the Palais des Nations, in Geneva, the European Regional Preparatory Meeting on the 2000 Review of Implementation of the Beijing Platform for Action. The Meeting will be organized around four substantive issues: women and the economy; institutional mechanisms for the advancement of women; women and violence; women in power and decision-making. This event, which will gather around 1,000 participants, representatives of UN/ECE governments, international organizations, experts and NGOs, is organized by UN/ECE in partnership with the Council of Europe, the European Commission, UNDP and UNIFEM.

Beijing +5
WOMEN 2000

The outcome of the Meeting is expected to open new avenues for further action on gender equality. It will constitute the input of the UN/ECE region to the global review which will culminate in the Special Session of the General Assembly on "Women 2000: Gender Equality, Development and Peace for the Twenty-first Century" next June in New York. It will also be an opportunity to facilitate dialogue between NGOs and governments. Prior to the European Regional Preparatory Meeting, an NGO forum will be held on 17 and 18 January 2000.

News in brief

Catastrophic storms hit Europe's forests: dangers of aftershocks

Tempestuous winds ravaged forests in Europe on 26 December and again on 28 December 1999 leaving a morbid trail of fallen and broken trees. "The tempests will have disastrous effects not only on forests but also on the timber markets as well as on wildlife", says Edward Pepke, Forest Officer at the United Nations Economic Commission for Europe (UN/ECE), "but aftershocks may even be more disastrous. In particular there is a risk of insect infestation which may further harm forests"... "While it is too early to assess the extent of the damage to Europe's forests, years will be necessary to bring forests and markets back to a stable situation", concludes Edward Pepke.

27 countries sign the new Protocol to the Convention on Long-range Transboundary Air Pollution

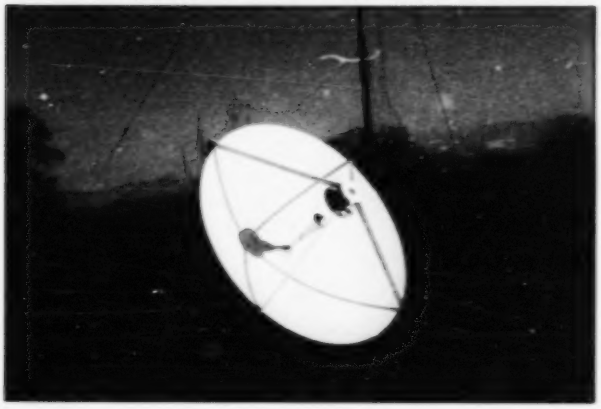
On Tuesday, 30 November 1999, the Parties to the UN/ECE Convention on Long-range Transboundary Air Pollution adopted the Protocol to Abate Acidification, Eutrophication and Ground-level Ozone at their meeting in Gothenburg, Sweden. According to Lars Nordberg, Deputy Director of the UN/ECE Environment and Human Settlements Division, it is "the most sophisticated environmental agreement ever negotiated and will yield great benefits, for both our environment and our health". It should be noted that scientists have warned that if measures similar to those included in the Protocols to the

Convention on Long-range Transboundary Air Pollution were not applied in Asia, the efforts made in Europe would be jeopardized within ten years.

The following countries signed the Protocol during the signing ceremony on Wednesday, 1 December: Armenia, Austria, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States.

Organizations from around the world gather to launch ebXML Global Electronic Business Initiative

The Electronic Business XML Initiative (ebXML), a joint effort of UN/CEFACT and OASIS, attracted more than 120 representatives of major industry standards organizations and companies from around the world at its inaugural meeting in San José, California, United States, 17-19 November 1999. The ebXML is an open, vendor-neutral initiative to establish a global technical and semantic framework that will enable XML to be used in a consistent manner for the exchange of electronic business data. The next face-to-face meetings are scheduled for 31 January-4 February 2000, in Orlando, Florida, 8-12 May in Brussels, Belgium, 7-11 August in the United States and 6-11 November in Tokyo, Japan.



Real-estate transactions in Kosovo when your home is not your castle

Imagine a world in which the State vets the buyer of your home or makes it hard for you to obtain a mortgage because you belong to the "wrong" ethnic group ... Or a world where you have negotiated the purchase of a new home, but you will never be able to prove that the transaction actually went ahead, as there is no public authority to record it. This is the situation reported by Mr. Jarmo Ratia, UN/ECE senior representative and focal point on land administration issues in the Balkan region, after his recent fact-finding mission to the province of Kosovo. Mr. Ratia is also due to visit Belgrade soon.

For more information do not hesitate to consult our home page:
http://www.unece.org/

In-house happenings

New Director of UN/ECE Statistical Division

Paolo Garonna

Mr. Paolo Garonna, a national of Italy, was recently appointed Director of the UN/ECE Statistical Division. Before joining UN/ECE, Mr. Garonna was Director-General of the National Statistical Institute of Italy. In June 1993, he was elected Vice-Chairman and in 1998 Chairman of the Conference of European Statisticians. During his career Mr. Garonna has worked with OECD. He also held a Chair of Applied Economics at the Faculty of Statistics of the University of Padua. Author of many books and articles, Mr. Garonna has been economic adviser to Ministers and Prime Ministers in Italy.

An effort towards the East

In 1999, a special effort was made to disseminate UN/ECE information in countries with economies in transition. A meeting was organized with the United Nations Information Centre (UNIC) representatives from these countries in the early autumn. The results of this meeting have included the launching of an information campaign in Belarus schools, where around 10,000 brochures in Russian of *The UN in your daily life—Economic Commission for Europe* were distributed; the preparation of a quiz in Uzbekistan, which will be distributed to teenagers in early 2000; the compilation of a mailing list of economic journalists in countries with economies in transition; and the possibility of organizing seminars in these countries after the issue of each *Survey*. However, the translation of material into the Russian language is still slow and insufficient, and much remains to be done to properly disseminate ECE's work towards the East.

UN/ECE on TV all over the world

Thanks to UN/TV, 1999 has also been a very good year in terms of audio-visual coverage. Four "products" have been well "sold": the *Economic Survey*, energy efficiency, the air convention and, last but not least, the study on robots. The latter three were taken up by CNN in its *World Report* series, as well as by Euronews and numerous other TV channels throughout the world. En passant, the robot "story" will be broadcast again in the coming weeks on ARTE, FR2 and M6. The help of UN/TV who financed, filmed—except for energy efficiency—and distributed these projects has been very valuable. Numerous radio interviews were also given during the year.

1999: a very good year for UN/ECE in the media

More press releases ... and more press clippings...

In 1999 the number of press releases increased by 60 per cent compared to last year, reaching a grand total of 84—averaging almost two per week.

In addition, there has been an important increase in media coverage of UN/ECE. For the year 1999 as a whole, more than 400 press clippings were collected. These clippings (see *Media on ECE 1999*) are far from being exhaustive, as most newspaper articles are not gathered in electronic databases.

A new, up-to-date, mailing list of over 400 economic journalists throughout the region is being used to disseminate economic information issued by UN/ECE.

One quarter of the articles collected relate to economic analysis, either on the various issues covered by the *Economic Survey* or policy statements related to the Balkans. Another 20 per cent relate to the Commission's work on the environment. Transport, CEFACT and robots represent another 25 per cent of the clippings. Clippings derive from a wide range of media: from the *Financial Times* to the *Farmers Guardian*, including *Le Monde*, *The New York Times* and the *International Herald Tribune*.

They also come from a variety of countries, for example, Azerbaijan, Australia, India, the United States, and many European countries.

Doubling of Internet consultation

The increase in consultation of our Internet home page has been impressive in 1999. Between January and October 1999, the number of hits per month grew from 730,000 to 1,437,000, doubling in 10 months. The number of users passed from 35,000 to 75,000. These figures do not include such "attractive" pages as standardization of vehicles, energy efficiency or the Gas Centre, since these are located on a server for which we do not have statistics. As a matter of comparison, the UN/ECE home page received 1,437,000 hits in October 1999, whilst during the same month UNCTAD received 686,000 hits, UNHCR 1,213,000 and WTO 8,450,000. As promised, a new home page was loaded in early November. Its design and content are more attractive and more dynamic. However, two major problems have not been solved, namely the updating of the French page, and the creation of a Russian one.

Information material: a longer-term investment

During this past year we have disseminated tens of thousands of brochures on UN/ECE throughout the world. A new brochure on air pollution has been prepared and issued, and 14 hand-outs in French and English on specific UN/ECE projects have been prepared. A brochure on the

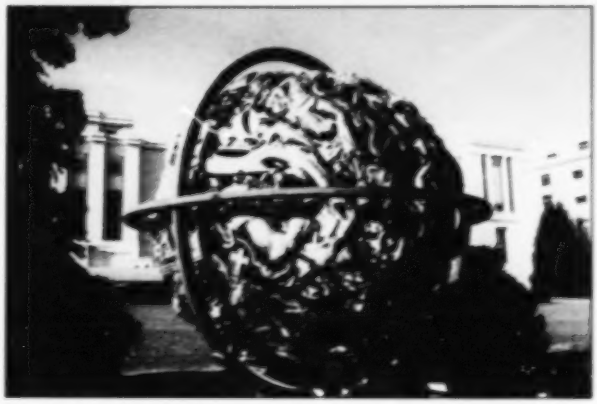
environment, as well as one on the activities of regional commissions in the field of women are in the pipeline. The little *Mini-trends in Europe*, our posters and our postcards remain our biggest success, with delegates keeping them and taking them home. This constitutes a valuable long-term investment, since their use keeps us constantly in people's minds.

More than 3,000 questions

The number of information requests is constantly growing and has reached at times a dozen per day, coming mostly by e-mail, which shows the importance of our continued presence on-line. Queries relate to UN/ECE activities, as well as document requests, in particular those related to trade, and the potential updating of a great number of publications and yearbooks.

Special projects

A number of special projects have been undertaken during 1999. The first one was a colouring book on the United Nations. This book is part of *The UN in your daily life* series. Two pages cover the activities of UN/ECE. Disney sells this colouring book at Epcot Center, Florida, in the United States, and it is also available in various United Nations shops. A quiz on the United Nations and on UN/ECE is being printed which will be distributed to teenagers in Uzbekistan, with the first prize being a visit to Geneva next May.



ECE Calendar

January 2000

19-21	ECE Regional Preparatory Meeting on the 2000 Review of the Implementation of the Beijing Platform for Action
17-21	Meeting of Experts on the European Provisions concerning the International Carriage of Dangerous Goods by Inland Waterway (ADR)
25	Ad Hoc Group of Experts on the Supply and Use of Gas
26-28	Working Party on Gas
31-3 Feb.	Meeting of Specialized Section on Standardization of Seed Potatoes

February

15-17	INLAND TRANSPORT COMMITTEE
21-25	Working Party on Customs Questions affecting Transport
24-25	Administrative Committee for the TIR Convention

March

7-10	Working Party on the Construction of Vehicles
13-24	Joint Meeting of the RID Safety Committee and the Working Party on the Transport of Dangerous Goods
23-25	Meeting of Parties to the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (The Hague, The Netherlands)
27-29	Meeting of Specialized Section on the Standardization of Meat (porcine, bovine and poultry)
27-31	Centre for Facilitation of Procedures and Practices for Administration, Commerce and Transport (CEFACT)

WHERE TO ORDER

The publications listed with sales prices may be ordered from: **United Nations Bookshop, Sales Unit, Palais des Nations, 1211 Geneva 10, Switzerland** and a number of bookstores in the ECE region. Send cheque or money order in US$ made payable to: UNITED NATIONS PUBLICATIONS.

Those publications listed without a sales price may be obtained from the Information Officer, Economic Commission for Europe, Palais des Nations, 1211 Geneva 10, Switzerland.

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